

4. UNC System Purchasing Thresholds.....Michael Vollmer

Situation: In the late 1990's, The North Carolina General Assembly authorized the Board of Governors to set purchasing thresholds for UNC campuses for purchases between \$0 and \$500,000. This delegated authority has allowed campuses to quickly proceed with awarding contracts rather than submitting all contract proposals to the Division of Purchase and Contract (P&C) for review and approval. Purchases above the campus thresholds still require approval from P&C.

In 1998, after the General Assembly provided this authority, the Board established varying thresholds for each UNC Campus. These thresholds have not been reviewed in a comprehensive manner in several years.

Background: Growth in campus general funds following the last delegations, coupled with regular price inflation, has left some campuses with smaller effective delegations. To address these disparities consistently and systematically, a tiered system of delegation thresholds is proposed for consideration.

Three tiers would be established, one granting a delegation to the largest campuses for purchases not to exceed \$500,000, another granting delegation to mid-sized campuses not to exceed \$250,000, and a third granting delegation to the smallest campuses not to exceed \$100,000. Campuses in the smaller two tiers would also be granted a delegation for individual purchases not to exceed \$500,000 with a prior review and approval by the President of the University.

Assessment: Establishing consistent tiers for campus purchasing delegation will simplify the benchmarks and address the impact of inflation. The creation of a process for conditional benchmark delegations up to \$500,000 for the two smaller tier campuses would provide those campuses the opportunity to benefit from a timely review while maintaining the integrity of purchases through external oversight.

Action: This item is for information only. A vote may be requested at a future BOG meeting.

UNC System Purchasing Thresholds

The North Carolina General Statutes authorize the Board of Governors to set separate purchasing benchmarks for each Special Responsibility Constituent Institutions (SRCI) at levels up to \$500,000. These benchmarks allow institutions to procure goods and services for amounts not exceeding the established thresholds without routing bids through the state Division of Purchase and Contract (P&C) in Raleigh. All purchases, whether approved by P&C or by a campus through a delegation, must comply with the same General Statutes.

UNC campuses have had varying purchasing thresholds established by the Board since delegations were first approved in 1998. The delegation has allowed campuses to more quickly proceed with purchases than would have been possible had the campus been required to submit all contract proposals and selections to P&C for review and approval. Growth in campus general funds, coupled with regular price inflation, have left some campuses with smaller effective delegations.

This proposal streamlines the thresholds and establishes two types of purchasing benchmarks, one without Presidential pre-approval and one conditional upon Presidential pre-approval of each covered transaction. To determine the purchasing benchmark that would not require Presidential pre-approval, campuses would be divided into three tiers based on the campuses' total General Fund expenditures. This tiered approach is similar to the one used by the North Carolina Community College system.

- Tier 1: General Fund expenditures greater than \$175,000,000
- Tier 2: General Fund expenditures great than \$75,000,000 but less than \$175,000,000
- Tier 3: General Fund expenditures less than \$75,000,000

The delegation without Presidential pre-approval for the tiers would be as follows: Tier 1 – \$500,000, Tier 2 – \$250,000, Tier 3 – \$100,000. The campus alone would have review and approval authority for transactions occurring below these tiers. This type of delegation is consistent with current practice.

The second type of purchasing benchmark would cover transactions occurring between the institution's tiered threshold and the statutory maximum delegation of \$500,000. For example, this would apply to purchases between \$250,000 and \$500,000 for Tier 2 campuses and purchases between \$100,000 and \$500,000 for Tier 3 campuses. Purchases occurring in these ranges would require pre-approval by the President of the University. All transactions greater than \$500,000 would be routed to P&C for approval.

In compliance with Statute 116-31.10, General Administration will consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to making final recommendation to the Board for consideration.

It is recommended that the request be reviewed and considered for future action.

University of North Carolina
Potential Authorized Purchasing Benchmarks

		Current Delegation			Proposed Tiered System				
	Institution	Authorized Benchmark	Effective Date	P&C Approval Required	Campus Approval		Presidential Approval		P&C Approval Required
					Benchmark Without Pre-Approval	Change from Current Benchmark	Benchmark with Pre-Approval	Change from Current Benchmark	
Tier 1 GF > \$175M	ASU	\$150,000	January 1, 1998	>\$150,000	\$500,000	\$350,000	\$500,000	\$350,000	>\$500,000
	ECU	500,000	December 1, 2003	>\$500,000	500,000	None	500,000	None	>\$500,000
	NCSU	500,000	December 1, 2003	>\$500,000	500,000	None	500,000	None	>\$500,000
	UNC-CH	500,000	December 1, 2003	>\$500,000	500,000	None	500,000	None	>\$500,000
	UNCC	500,000	July 1, 2006	>\$500,000	500,000	None	500,000	None	>\$500,000
	UNCG	500,000	April 1, 2004	>\$500,000	500,000	None	500,000	None	>\$500,000
	UNCW	500,000	February 1, 2006	>\$500,000	500,000	None	500,000	None	>\$500,000
Tier 2 GF \$75M - \$175M	NCA&T	100,000	January 1, 2000	>\$100,000	250,000	150,000	500,000	400,000	>\$500,000
	NCCU	200,000	January 1, 2006	>\$200,000	250,000	50,000	500,000	300,000	>\$500,000
	UNCP	150,000	December 1, 2003	>\$150,000	250,000	100,000	500,000	350,000	>\$500,000
	WCU	250,000	April 1, 2004	>\$250,000	250,000	None	500,000	250,000	>\$500,000
	WSSU	350,000	July 1, 2007	>\$350,000	250,000	(100,000)	500,000	150,000	>\$500,000
Tier 3 GF < \$75M	ECSU	100,000	April 1, 2005	>\$100,000	100,000	None	500,000	400,000	>\$500,000
	FSU	50,000	January 1, 1998	>\$50,000	100,000	50,000	500,000	450,000	>\$500,000
	UNCA	50,000	January 1, 1998	>\$50,000	100,000	50,000	500,000	450,000	>\$500,000
	UNCSA	50,000	January 1, 1998	>\$50,000	100,000	50,000	500,000	450,000	>\$500,000
	NCSSM	35,000	February 8, 2002	>\$35,000	100,000	65,000	500,000	465,000	>\$500,000